



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

January 8, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley 
Auditor-Controller

SUBJECT: **DOOR OF HOPE COMMUNITY CENTER, INC. CONTRACT - A
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT
ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Door of Hope Community Center, Inc. (Door of Hope or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

Background

CSS contracts with Door of Hope, a private non-profit organization to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. Door of Hope's office is located in the First District.

Door of Hope is compensated on a cost reimbursement basis. Door of Hope's contract is for \$148,545 for Fiscal Year 2007-08.

Purpose/Methodology

The purpose of the review was to determine whether Door of Hope complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

Overall, Door of Hope provided the program services to eligible participants and the Agency maintained sufficient internal controls over its non-cash business operations. However, Door of Hope did not implement three (60%) of the five recommendations contained in the prior year's monitoring review and does not always comply with WIA and County contract requirements. For example, Door of Hope:

- Inappropriately billed CSS \$600 for prior contract year's expenditures.
- Did not accurately report the participants' program activities in the Job Training Automation (JTA) system for four (40%) of the ten participants sampled. Subsequent to our review, Door of Hope updated the JTA system for the four participants.
- Did not always obtain two authorized signatures on all checks.
- Did not provide documentation to support the balance reported on the bank reconciliation. A similar finding was also noted in the prior year's monitoring review.

Details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with Door of Hope on December 13, 2007. In their attached response, Door of Hope concurred with our findings and recommendations.

We thank Door of Hope for their cooperation and assistance during this review. We will follow up on our recommendations during next year's review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer
- Cynthia Banks, Director, Department of Community and Senior Services
- Shirley Melendez, President and CEO, Door of Hope Community Center, Inc.
- Public Information Office
- Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
DOOR OF HOPE COMMUNITY CENTER, INC.
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether Door of Hope Community Center, Inc. (Door of Hope or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for ten (40%) of the 25 program participants that received services between July and September 2007 for documentation to confirm their eligibility for WIA services.

Results

All ten participants met the eligibility requirements for the WIA program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (40%) participants that received services from July through September 2007. We also interviewed six participants/guardians.

Results

The six participants/guardians interviewed stated that the services the participants received met their expectations. However, Door of Hope did not accurately update the participants' program activities on the Job Training Automation (JTA) system for four

(40%) of the ten participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted in the prior year's monitoring report.

Subsequent to our review, Door of Hope updated the JTA system for the four participants.

Recommendation

- 1. Door of Hope management ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed Door of Hope's August 2007 bank reconciliation.

Results

Door of Hope properly recorded and deposited cash receipts and revenues in a timely manner. However, Door of Hope did not always obtain two authorized signatures on all checks as required by the County contract. In addition, Door of Hope's accounting records did not support the book balance reported on the bank reconciliation. A similar finding was also noted in the prior year's monitoring review.

Recommendations

Door of Hope management:

- 2. Obtain two authorized signatures on all checks.**
- 3. Ensure that bank reconciliations are adequately supported by documentation.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 16 non-payroll expenditure transactions billed by Door of Hope for July and August 2007, totaling \$2,903.

Results

Generally, Door of Hope's expenditures were supported by documentation. However, Door of Hope inappropriately billed CSS \$600 for prior contract year's expenditures.

Recommendations

Door of Hope management:

- 4. Repay CSS \$600.**
- 5. Ensure that expenditures charged to the WIA program are for costs incurred during the current contract period.**

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, Door of Hope maintained sufficient internal controls over its business operations. However, Door of Hope did not obtain a building inspection. This finding was also noted in the prior year's monitoring review.

Recommendation

- 6. Door of Hope management obtain a building inspection.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Door of Hope's fixed assets and equipment purchased with WIA funds are used for the WIA program and are adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed a physical inventory and reviewed the usage of 10 items purchased with WIA funds, totaling \$6,395.

Results

Door of Hope used the items purchased with WIA funding for the WIA program. In addition, the items were adequately safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

Verification

We traced the payroll expenditures invoiced for eight employees totaling \$8,809 for August 2007 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for five staff assigned to the WIA program.

Results

Door of Hope appropriately charged payroll expenditures to the WIA program. In addition, Door of Hope's personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether Door of Hope's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in July and August 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Door of Hope's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW

Objective

Determine whether the Agency's Fiscal Year (FY) 2006-07 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced the Agency's FY 2006-07 general ledger to the Agency's final close-out invoice for FY 2006-07. We also reviewed a sample of expenditures incurred in April, May and June 2007.

Results

Door of Hope's final close-out invoice reconciled to the Agency's financial records.

Recommendation

There are no recommendations for this section.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2006-07 monitoring review were implemented. The report was issued on July 2, 2007.

Results

The prior year's monitoring report contained five recommendations. Door of Hope implemented two recommendations. As previously indicated, the findings related to Recommendations 1, 3 and 6 contained in this report were also noted during the prior year's monitoring review. Door of Hope management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008.

Recommendation

7. Door of Hope management implement the outstanding recommendations.

DOOR OF HOPE COMMUNITY CENTER

"Where Hopes Become Reality"

1414 S. Atlantic Blvd.

Los Angeles, CA 90022

(323) 262-2777 Fax (323) 262-3610

December 17, 2007

County of Los Angeles
Department of Auditors-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Attn: J. Tyler McCauley, Auditor-Controller

Dear Mr. McCauley,

This letter is in response to your monitoring visit in October 2007 that was conducted for our Workforce Investment Act (WIA) Youth Program for FY 2007-08. The Auditor Controller's Monitoring Division observed the following that required our correction action:

BILLED SERVICES/CLIENT VERIFICATION

Recommendation

1. Door of Hope management ensure that staff accurately updated the Job Training Automation system to reflect the participants program activities

Corrective Action Plan

Door of Hope corrected the JTA system for the four participants and printed up the JTA report to show the auditors prove of correction. From that day on the person in charge of the MIS ensure that the participants activities be accurately updated on monthly bases.

CASH/REVENUE

Recommendations

Door of Hope Management:

2. Obtain two authorized signature on all checks.

Corrective Action Plan

We concur. It is part of our policy and procedures to have two designated signatories execute a check for payment.

3. *Ensure that bank reconciliations are adequately supported by documentation.*

Corrective Action Plan

We concur. To ensure that bank reconciliations are properly supported by documentation, we have designated an accountant to immediately implement proper bank reconciliation procedures and documentation to reconcile bank statements to Door of Hope general ledger cash balance. Bank reconciliations will be performed on a monthly basis by our designated accountant to ensure that bank cash is reconciled to general ledger cash on a monthly basis. Bank reconciliations his will be reviewed and approved by CEO and President Shirley Melendez. We will also be upgrading our general ledger software in January of 2008.

EXPENDITURES/PROCUREMENT

Recommendations

Door of Hope management:

4. Repay CSS \$600.

Corrective Action Plan

Door of Hope incorrectly billed CSS for \$600 for prior contract year expenditures. A check of the amount of \$600 will be submitted with the original response letter.

5. Ensure that expenditures charged to the WIA program are for costs incurred during the contract period.

Corrective Action Plan

To ensure that expenditures charged to the WIA Program are for cost incurred during the contract period we will modify our current procedures. At fiscal year end billing we will include accrued program expenses for program vendor invoices not yet received at the year end billing cut off. The county can set aside a provision for our accrual and pay Door of Hope for the actual program vendor invoice amounts when submitted to the county for payment. This should rectify the timing difference between our billings to the county and our receipt of our vendor invoices at fiscal year end.

INTERNAL CONTROLS/CONTRACT COMPLIANCE

Recommendation

6. Door of Hope management obtain a building inspection.

Corrective Action Plan

Door of Hope is working on it.

PRIOR YEAR FOLLOW-UP

Recommendation


7. Door of Hope management implement the outstanding recommendations.

Corrective Action Plan

We concur Door of Hope has taken immediate action to comply with your recommendations please refer our response to Items 1, 3, and 6.

If you have any questions please feel free to call at 323-262-2777.

Sincerely,


Shirley A. Melendez
President, CEO